

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

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In re:

SHAPES/ARCH HOLDINGS L.L.C., et al.,

Debtors.

Case No. 08-14631 (GMB)

Judge: Gloria M. Burns

Chapter: 11

Hearing Date: July 15, 2008 at 1:00 p.m.

**RESPONSE OF SL INDUSTRIES, INC. TO OBJECTIONS BY LIBERTY
MUTUAL INSURANCE COMPANY AND WAUSAU UNDERWRITERS
INSURANCE COMPANY TO DEBTORS' THIRD AMENDED JOINT
CHAPTER 11 PLAN OF REORGANIZATION**

SL Industries, Inc. ("SL Industries"), by and through its undersigned attorneys, hereby files this response (the "Response") to the Objections by Liberty Mutual Insurance Company and Wausau Underwriters Insurance Company to Debtors' Third Amended Joint Chapter 11 Plan of Reorganization (the "Liberty Mutual Objection"). In support thereof, SL Industries respectfully represents as follows:

1. On or about July 2, 2008 Liberty Mutual Insurance Company and Wausau Underwriters Insurance Company (together, "Liberty Mutual") filed the Liberty Mutual Objection. In the Liberty Mutual Objection, Liberty Mutual purportedly seeks, *inter alia*, an "insurance neutral plan" to allegedly protect its rights under its various insurance policies with the Debtors. As a threshold matter, Liberty Mutual's assertion that its rights under its insurance policies are being

violated should be considered in context – SL Industries notes that Liberty Mutual¹ has refused to provide copies of these policies to parties-in-interest. See Motion By Liberty Mutual Insurance Company and Wausau Underwriters Insurance Company to Quash Rule 2004 Subpoenas for Documents. Before Liberty Mutual is permitted to raise objections regarding its insurance policies, such policies should be provided to interested parties so that they can independently evaluate Liberty Mutual's rights thereunder.

2. Subject to having an opportunity to review the applicable insurance policies, SL Industries has no objection, as a conceptual matter, to an "insurance neutral" Plan. Certain of the language that Liberty Mutual has proposed, however, is, under any conceivable analysis, far from insurance neutral in that it materially and impermissibly expands Liberty Mutual's pre-petition rights to the detriment of SL Industries and other environmental parties-in-interest.

3. In the event that a consensual resolution of the issues raised by the Liberty Mutual Objection cannot be reached prior to the hearing on confirmation of the Plan, which is scheduled to occur on July 15, 2008, SL Industries intends to raise and be heard on such issues at the hearing.

Respectfully submitted,

SAUL EWING LLP

Dated: July 14, 2008

By:

/s/

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¹ In addition, despite numerous written and verbal requests to Debtors' counsel for the relevant insurance policies and documents, none have been produced.